

Commission on Electric Utility Restructuring  
February 10, 2005, Richmond

The Commission on Electric Utility Restructuring met during the 2005 Session of the General Assembly to address issues pertaining to its endorsement of a study of renewable energy.

At the Commission's December 20 meeting, members were briefed on a proposal for a cost/benefit analysis of increasing the Commonwealth's use of energy from renewable sources that had been prepared by Augie Wallmeyer. The December study proposal had a stated objective of determining if the purported benefits of increased use of renewable energy resources to generate electricity in Virginia outweigh the predicted increased costs, compared to the status quo. He suggested that if monetizing or otherwise specifying such benefits outweigh the costs, then the study could recommend public policy initiatives to realize them, within the framework of the restructuring of Virginia's electric utility industry. It was noted that several incumbent utilities had objected to a study that would consider any environmental externalities. The Commission decided to begin discussions with the Virginia Center for Coal and Energy Research (VCCER) to determine if it would be able to do such a study within the scope of its statutory duties without requiring additional resources.

The February 10 meeting was called to address a revision to the proposed study. In the study, the term "renewable energy" includes the broad range of environmentally beneficial electric generating technologies. The revised study encompasses 14 components:

- Identify existing renewable energy resources in Virginia.
- Determine the cost of electricity produced by existing renewable energy resources in Virginia, by type.
- Identify existing barriers to expansion of renewable energy resources in Virginia.
- Identify existing federal, state and local incentives to use and/or expand use of renewable energy resources in Virginia.
- Examine the effectiveness of existing incentives.
- Determine the cost of new electric generating capacity additions using renewable energy resources in Virginia.
- Compare the cost of new electric generating capacity additions using renewable energy resources in Virginia with the cost of new "traditional" electric generating capacity additions in Virginia.
- Determine future renewable energy resource potential in Virginia.
- Evaluate the costs of present and future air emissions compliance in Virginia and potential reductions in emissions and compliance costs due to increased use of renewables, including the effect of increased use of renewables on Virginia's efforts to improve air quality in ozone nonattainment areas and regions, and elsewhere in Virginia.

- Determine potential employment impacts in Virginia due to increased use of renewables, especially in economically distressed Southwest and Southside Virginia.
- Examine the potential effects on suppliers of renewable fuel, equipment and services in Virginia.
- Examine the potential effects on Virginia's agriculture industry of using switch grass, sorghums, or other crops as boiler fuels, replacing cultivation of tobacco.
- Estimate potential local tax base impacts due to increased use of renewables.
- Examine and consider other benefits and risks of increased use of renewables.

The revised study proposal was unopposed. The Commission received a report that VCCER Director Dr. Michael Karmis was interested in conducting the study and can undertake the development and coordination of this study, but that the need to have portions of the study conducted by other academic centers at Virginia Tech would preclude the VCCER from doing the study within its existing appropriation. Dr. Karmis advised the members that he had reviewed the revised resolution presented by Mr. Wallmeyer and concurred with the scope of work for the renewables study. He noted that the VCCER can support internally the portions of the study that deal with existing and future resources and costs and economic measures. He requested funding of \$15,000 to allow VCCER to engage other qualified experts that can contribute and develop the remaining topics of the study, which encompass incentives and barriers, cost/benefit analyses, and economic development considerations.

The Commission agreed to a motion supporting the conduct of such a study by the VCCER, and members agreed to work during the remainder of the General Assembly session to attempt to secure an appropriation of funds for the study.